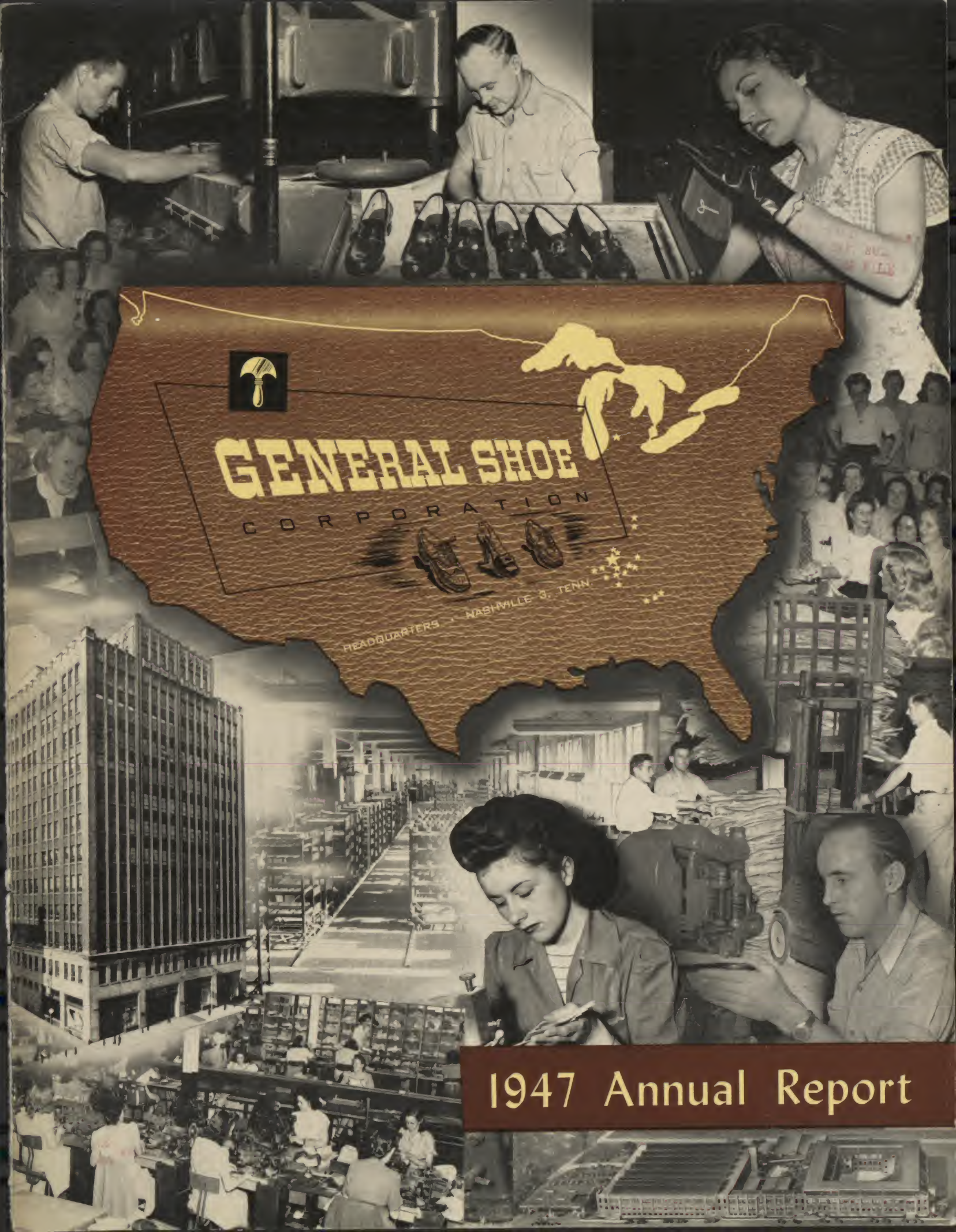


1947 Annual Report

GENERAL SHOE CORPORATION

NASHVILLE, 3 TENNESSEE

Officers

W. Maxey Jarman	*Chairman*	Otis C. Williams	*Controller*
Henry W. Boyd, Jr.	*President*	Charles W. Cook	*Assistant Vice-President*
William H. Wemyss	*Executive Vice-President*	Houghton D. Vaughn	*Assistant Vice-President*
J. Harlan Lawson	*General Manager*	Anderson Spickard	*Assistant Vice-President*
William M. Blackie	*Vice-President*	H. Nelson Carmichael	*Assistant Vice-President*
Earle T. Bumpous	*Vice-President*	Charles R. Murphy	*Assistant Vice-President*
James P. Saunders	*Vice-President and Secretary*	C. W. Butler, Jr.	*Assistant Vice-President*
Noble C. Caudill	*Vice-President and Treasurer*	DeVaughn Woods	*Assistant Controller*
George W. Noland	*Vice-President*	James W. Byron	*Assistant Treasurer*
Matt S. Wigginton	*Vice-President*	Carl Stephens	*Assistant Secretary*

Transfer Agents: **Guaranty Trust Company of New York, N. Y., and American National Bank, Nashville, Tennessee.**
Registrars: **Chemical Bank and Trust Company, New York, N. Y., and The Nashville Trust Company, Nashville, Tennessee.**

Annual Meeting of Stockholders: March 1, 1948

Manufacturing Plants

MEN'S SHOES

Nashville, Tenn.
Gallatin, Tenn. (2)
Tullahoma, Tenn. (2)
Lewisburg, Tenn.
Pulaski, Tenn.
Huntsville, Ala.
Waynesboro, Tenn.

JUVENILE SHOES

Hohenwald, Tenn.
Centerville, Tenn.

WOMEN'S SHOES

Atlanta, Ga.
Lawrenceville, Ga.
Frankfort, Ky.
Cowan, Tenn.
McMinnville, Tenn.
Danville, Ky.
Carrollton, Ga.

INTERCONTINENTAL

Mexico City, Mex. (2)
Lima, Peru

TANNERY

Whitehall, Mich.

MISCELLANEOUS

Dominion Leathercrafters
(Handbags, wallets, etc.)
Nashville, Tenn.
General Wax Industries
(Shoe polishes and finishes)
Nashville, Tenn.
General Products Co.
(Window display fixtures, etc.)
Nashville, Tenn.
Capitol Container Co.
(Paper boxes and steel shanks)
Nashville, Tenn.

SOLE CUTTING

Southern Sole Company
Nashville, Tenn.

Sales Divisions

Jarman Shoe Company
Richland-Davidson Shoe Co.
Dominion Shoe Company
KBS Shoe Company
Cedar-Crest Shoe Company
Edgewood Shoe Company
Barrett Shoe Company
Fortunet Shoe Company
Bellwood Shoe Company
Acrobat Shoe Company
Storybook Shoe Company

Company Operated Retail Stores

JARMAN	FLAGG BROTHERS	HARDY	HOLIDAYS
(Men's)	*(Men's)*	*(Men's)*	*(Women's)*
15	46	23	10

Annual Report

GENERAL SHOE CORPORATION

TOTAL volume of business for General Shoe Corporation for its fiscal year ended October 31, 1947 was $97,248,511. Of this amount, $19,106,052 was inter-branch business, leaving net sales to customers of $78,142,458. This is a 28% increase over net sales to customers during the fiscal year 1946, in which year net sales amounted to $61,133,798. Shoes produced during this year total 16,149,046 pairs. This current year marks the largest year in the history of our Company, both from the standpoint of dollar volume as well as pairs produced.

Net profits for the year amounted to $2,566,500. This is equivalent to $3.34 per share on the common stock after making provision for both preference and preferred dividends. This compares with $3.76 per share during the previous fiscal year. Regular dividends were paid on the preference and preferred stocks, and dividends of $2.50 per share were paid on the common stock.

The balance sheet shows a ratio of current assets to current liabilities of 8.46 to one. Current liabilities are $2,143,718 after deducting $1,730,000 of U. S. government securities against income tax liability. Cash amounted to $2,183,510.

The net worth of the Company has increased during the past year to $19,225,654 at October 31, 1947. Working capital is $16,002,686 as of the same date. Accounts receivable have increased during the year to $5,962,254 but in relation to dollar volume of business are comparatively low. Inventories have increased during the year to $10,000,640 but this increase is somewhat less than the increase in volume of business.

GROWTH IN PRODUCTION

Shoe production for the entire industry in the United States all during this year has shown sharp declines from the previous year. Department of Commerce figures so far this year indicate that production in the United States as a whole is about 15% less in pairs than in 1946, which was a peak year. The fact that our Company has shown some increase in its pairage is evidence that our Company is showing continued strong growth. Calculations are made each month when figures are released from the Department of Commerce showing shoe production by types of shoes throughout the United States in comparison with our own production. Each month during the past year our percentage of the total volume of shoe production has increased.

The lower volume of shoe production in the country as a whole is due to a number of causes. The advance in shoe prices has unquestionably reduced the demand. However, there has continued to be a strong demand for good quality products, and we could have still further increased our business if we had had the facilities to take care of this demand. There is also not a sufficient supply of good quality material, and this has restricted production. During the war years, a considerable number of new shoe manufacturers entered in business but as competition has entered the picture during the past year, many of these concerns have closed. However, there are still a greater number of shoe manufacturers in the industry today than there were pre-war.

REVIEW OF PRICE TRENDS

Price trends have been upward during the year because of the strong demand in relation to the supply of raw materials. Our Company has priced its shoes on as conservative a basis as possible, yet moving as rapidly as possible with the market. However, the advance in raw material prices and other costs has been so great that we have not felt it wise to advance shoe prices so rapidly because of the effect that it would have on our customers. No inventory profits have been realized by our Company because unfilled orders on hand and in process have not been advanced as fast as the raw material market was advanced. This conservative policy on pricing has reflected itself in a lower percentage of profit for the increased volume of business during the year.

Notwithstanding the considerable price advances that have been put into effect during the past year, it is believed that the public today is getting outstanding values in the money it is spending for shoes. In comparison with pre-war prices in relation to dollar income, in comparison with products in other fields, and in comparison with shoe values in other countries of the world, the American shoe wearer today is getting very fine values. We feel that we are very fortunate to be in an industry that is strongly competitive and takes very seriously its obligation to properly serve the public by giving it real values and the kind of merchandise it wants without taking exorbitant profits.

RELATIONS WITH EMPLOYEES

Our relations with our employees have been on a good basis during the past year. Wage increases have been put in and weekly earnings of our employees have been in excess of most of the other divisions of the shoe industry. Very considerable effort has been directed during the past year toward further training of our operators for the skilled workmanship required in technical shoemaking. This has been the first year since the war when it was possible to concentrate on these requirements and to correct the lack of training that was not possible on new employees during the war. Because of the good working relationships, good working conditions, and good earnings that have prevailed in our plants, we have been able to attract the most desirable employees with good educational background and good native abilities.

The move to our central office building in downtown Nashville has been nearly completed during the past year, and this, together with consolidation of various offices, will permit some considerable economies. Within the past three months the move to our new sole cutting plant on the outskirts of Nashville has been completed, which provides additional manufacturing space for the production of shoes. This new sole cutting plant, we believe, is the most modern in the country, designed by engineers for the purpose for which it is to be used, providing for greatest possible economies in the handling of materials and in the flow of work throughout the plant.

EXPANSION OF PLANT FACILITIES

The new Waynesboro plant for the manufacture of men's shoes has just been completed and operations will begin there very shortly. This was some months behind schedule. A new retail warehouse has been constructed during the past year to provide for the expanding needs of our growing number of retail stores. Also a new large warehouse has been acquired in West Nashville which will make possible the consolidated handling of many of our raw materials. By moving these out of our shoe manufacturing plants, we will have greater capacity for the production of shoes.

We have continued throughout the year, at considerable expense, the alteration and provision for enlarged operations at our tannery at Whitehall, Michigan. In many of our shoe manufacturing plants during the past year we have acquired considerable additional machinery and equipment, have changed the layout of our operations and are now prepared to increase production.

More than ever before, emphasis has been placed during the past year on the strengthening, development and training of our supervisory organization. Worthwhile results are coming from this, in making it possible to provide greater values in our shoes, to maintain more strictly quality standards which we have set up, and to so control our operations that overhead will be kept to a minimum.

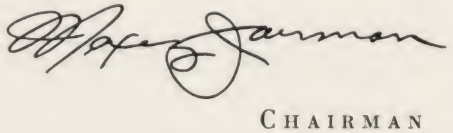
FORECAST FOR YEAR

Orders have been coming in at a very rapid rate for the coming year. It appears that retail inventories are somewhat low and pairage volume is holding up reasonably well throughout the country in spite of the very much higher prices which must be put on shoes today.

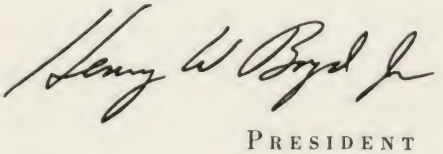
Supply conditions are still quite difficult as there are no accumulations of hides or raw skins in this country and the demand is still somewhat greater than can actually be supplied. During the past year our country received practically no hide imports from abroad as hide prices in other countries were very much higher than they were in this country. At the present level of hide prices in this country, hides are beginning to flow in from South America, and this may provide additional supplies. However, prices in South America also seem to be quite strong, and are advancing.

While we do not expect to see shoe production for the country as a whole show much increase, our own Company expects to have good business during the coming months, and we feel that we will continue to increase the percentage share that we get of the production of the United States as a whole.

The personnel of our entire Company has been working with a splendid spirit and putting forth very fine effort in meeting the very considerable problems that have faced the shoe industry, and in continuing the forward march of our Company.



CHAIRMAN



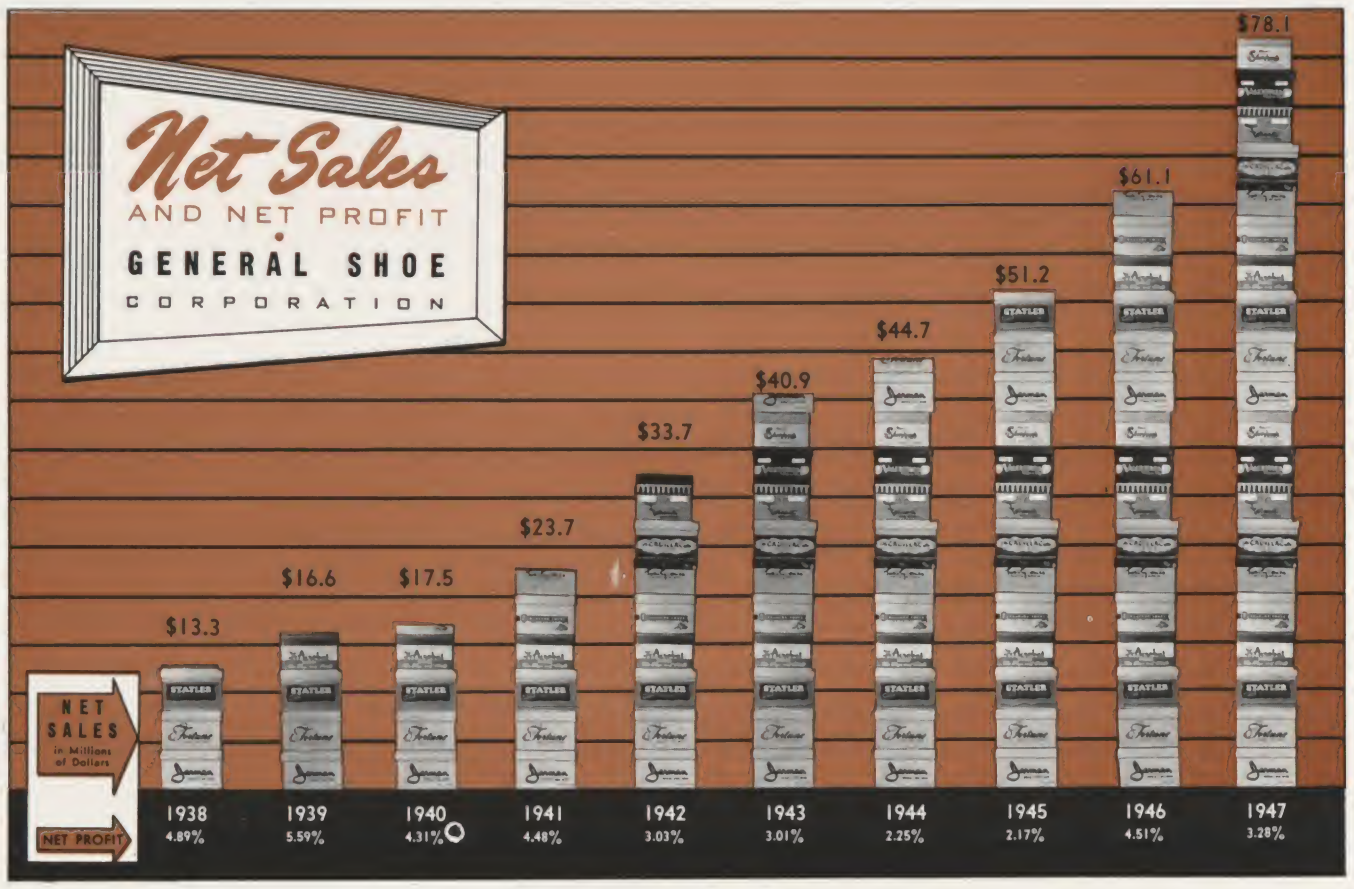
PRESIDENT

November 24, 1947.

A Brief Summary of Operations

FOR THE YEAR ENDING OCTOBER 31, 1947

INCOME		
The Company sold products valued at	$78,142,458	
On which cash discounts were allowed of	802,828	
	77,339,630	
And received interest and income from other sources amounting to	73,617	
Making total income of	$77,413,247	100.0%
EXPENSES		
Employees were paid wages, salaries and commissions for manufacturing and selling our products	$24,187,242	31.3%
Raw materials, supplies, fuel, rent and other plant operating expenses cost	42,985,040	55.5%
Advertising, distribution, retail, and general expenses cost	4,019,255	5.2%
For wear, tear, and obsolescence of buildings, machinery and equipment, amortization of improvements to leased properties, and purchase of lasts, dies and patterns the Company set aside	883,900	1.1%
For Federal, State, local and social security taxes the Company paid or provided	2,771,310	3.6%
Total Expenses	$74,846,747	96.7%
Net profit for the year—equal to $3.34 per common share	$ 2,566,500	3.3%
Net profit for the year applied as dividends paid to stockholders	$ 1,953,412	2.5%
Balance retained in the business for plant expansion, payment of debts, and operating requirements	613,088	.8%
	$ 2.566,500	3.3%



General Shoe

AND SUBSIDIARIES

BALANCE SHEET

As of October 31, 1947

ASSETS

Current Assets:		
Cash in banks and on hand		$ 2,183,510
Accounts receivable—trade, less reserve for bad debts and discount		5,605,703
Accounts receivable—miscellaneous		221,997
Advances on open contracts		134,554
Inventories:		
Finished products—at approximate cost	$4,117,615	
Work in process—at approximate cost	870,654	
Raw materials and special merchandise—at lower of cost or market	$5,012,371	$10,000,640
		$18,146,404
Investments in capital stocks of foreign subsidiaries and securities of other companies—at cost		222,444
Officers and Employees Stock Purchase Accounts		528,687
Plant, Equipment, and Improvements to Leased Property—at cost	3,928,640	
Less—Reserve for Depreciation and Amortization	1,234,872	2,693,768
Goodwill, Patents, and Trade Marks		1
		$21,591,304

LIABILITIES

Current Liabilities:		
Accounts payable—trade creditors		$ 620,395
Accounts payable—miscellaneous		82,119
Due to officers and employees		72,040
Income tax withheld		52,981
Accrued payrolls, taxes, and sundry expenses		883,821
Provision for taxes on income, less United States Government tax notes $1,730,000		432,362
		2,143,718
Reserves for Insurance and Contingencies		221,932
Capital Stock:		
$3.50 cumulative preference stock without par value, at stated and liquidating value of $100 per share—Authorized and issued 49,000 shares after deducting 1,000 shares acquired and retired, callable at $107 per share to June 15, 1949 with successive reductions to $104 after June 15, 1954	$4,900,000	
Preferred stock without par value, at stated and liquidating value of $5 per share—Authorized and issued 99,260 shares, callable at $7.50 per share; 40c per annum cumulative dividends payable on January 1 and July 1 (paid to July 2, 1947)	496,300	
Common stock, par value $1 per share—Authorized 1,200,000 shares, outstanding (less 2223 shares in treasury) 704,918 shares	704,918	6,101,218
Paid-in Surplus		6,337,529
Earned Surplus		6,786,907
		$21,591,304

A ten-year comparative statement is shown on pages 6 and 7

Corporation

CONSOLIDATED

STATEMENT OF PROFIT AND LOSS

For the Year Ended October 31, 1947

Sales, less returns and allowances		$78,142,458
Less—Discount on sales		802,828
		77,339,630
Other income (net)		73,617
		77,413,247
Cost of Sales		61,917,367
Selling, general, and administrative expenses		10,791,589
Contributions to employees' retirement fund		200,000
Provision for taxes on income		1,937,791
		74,846,747
NET PROFIT FOR YEAR		$ 2,566,500
Depreciation and amortization of plant, equipment, and improvements and lasts, dies, and patterns charged to operations		$ 883,900

STATEMENT OF SURPLUS

Earned Surplus

Amount at October 31, 1946		$ 6,173,819
Net profit for the year		2,566,500
		8,740,319
DEDUCT—DIVIDENDS DECLARED ON:		
$3.50 cumulative preference stock—Paid to October 31, 1947	$ 171,501	
Preferred stock—20c per share, Paid to July 2, 1947	19,852	
Common stock—$2.50 per share	1,762,059	1,953,412
Amount at October 31, 1947		$ 6,786,907

Paid in Surplus

Amount at October 31, 1946	$ 6,318,327
Excess of issuing price over par value of treasury stock issued	19,202
Amount at October 31, 1947	$ 6,337,529

ACCOUNTANTS' REPORT

To the Board of Directors,
General Shoe Corporation,
Nashville, Tennessee.

We have examined the balance sheet of the General Shoe Corporation and its subsidiaries consolidated as of October 31, 1947 and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position at October 31, 1947 of General Shoe Corporation and its subsidiaries consolidated and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

November 24, 1947

Peat, Marwick, Mitchell & Co.

General Shoe

AND SUBSIDIARIES

CONSOLIDATED

For the Years Ended October

ASSETS	*1938*	*1939*	*1940*
Current Assets:			
Cash in banks and on hand	$ 606,949	$ 1,244,803	$ 1,130,599
United States Government bonds and notes	.....	.....	.....
Accounts receivable, less reserve for bad debts and discounts	1,732,570	2,400,755	2,559,224
Inventories:			
Finished products	885,423	1,100,110	1,198,582
Raw materials, work in process, and special merchandise	1,063,330	1,722,956	1,703,771
Total Current Assets	$ 4,288,272	$ 6,468,624	$ 6,592,176
Investment in Capital Stocks of other companies at cost	.....	.....	.....
Post War Refund of Federal excess profits taxes	.....	.....	.....
Officers and Employees Stock Purchase Accounts	200,790	163,719	92,051
Sinking Fund with Trustee	.....	.....	.....
Plant, Equipment, and Improvements to Leased Property—at cost	1,430,676	1,641,808	1,770,739
Less-Reserve for Depreciation and Amortization	372,326	475,317	581,619
	$ 1,058,350	$ 1,166,491	$ 1,189,120
Good Will, Patents and Trade Marks	1	1	1
Totals	$ 5,547,413	$ 7,798,835	$ 7,873,348
LIABILITIES			
Current Liabilities	$ 466,905	$ 510,000	$ 450,691
Provision for prior years' taxes—in dispute	85,767	.....	.....
Sinking Fund Debentures	.....	.....	.....
Reserves for Insurance and Contingencies	107,718	134,582	179,520
Capital Stock			
Cumulative Preference and Preferred Stocks without par value, at stated and liquidating value	496,300	496,300	496,300
Common Stock—par value $1 per share	479,388	628,013	627,716
Paid-in Surplus	1,791,957	3,644,424	3,649,267
Earned Surplus	2,119,378	2,385,516	2,469,854
Totals	$ 5,547,413	$ 7,798,835	$ 7,873,348
Current Liabilities are after deducting United States Tax Notes	.....	.....	.....
Net Working Capital	$ 3,821,367	5,958,624	6,141,485
Current Ratio	$9.18 to 1	12.68 to 1	14.63 to 1
Common Shares Outstanding	479,388	628,013	627,716
COMPARATIVE DATA ON SALES, EARNINGS, DIVIDENDS, AND PRODUCTION			
Total Volume of Business	$15,039,954	18,252,215	20,063,446
Net Sales Less Inter-Branch Business	$13,257,663	16,581,537	17,462,085
Net Profit	$647,670	927,194	752,317
Earnings Per Share Common Stock	$1.27	1.41	1.14
Dividends Per Share Common Stock	$ .85	1.05	1.00
Depreciation and Amortization	$188,627	217,986	267,263
Pairs of Shoes and Boots Produced	5,456,581	7,303,595	7,392,758

Corporation

CONSOLIDATED

BALANCE SHEETS

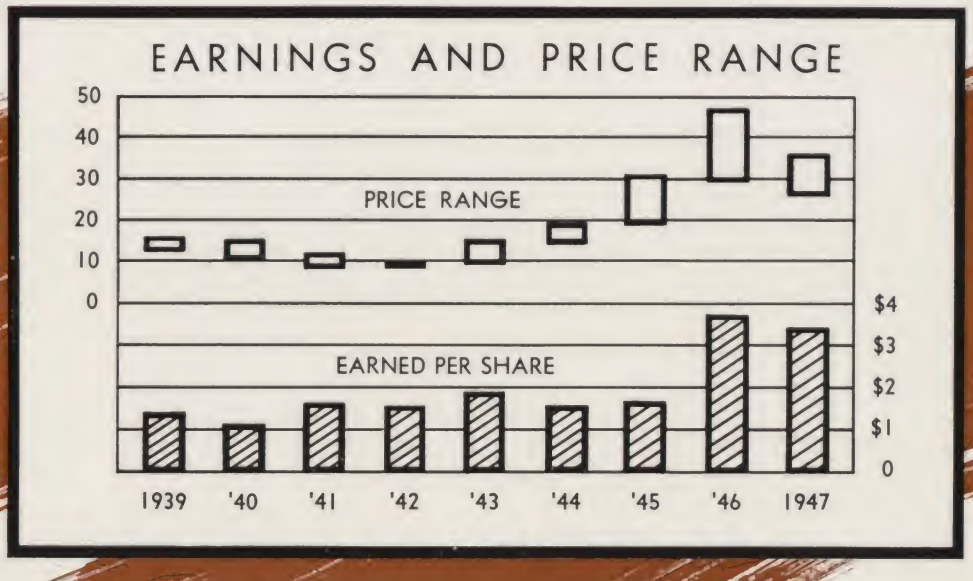
31, 1938 to 1947 Inclusive

1941	*1942*	*1943*	*1944*	*1945*	*1946*	*1947*
$ 1,464,932	$ 1,986,178	$ 1,820,777	$ 2,182,735	$ 3,481,231	$3,461,593	$ 2,183,510
.....	521,000	383,500	78,000	1,784,512	2,026,810	.....
2,538,398	2,965,074	2,516,935	2,917,828	2,914,079	4,231,202	5,962,254
1,341,992	1,316,543	1,366,960	1,201,382	969,807	2,035,709	4,117,615
2,034,787	3,493,105	4,566,635	4,190,210	5,214,070	5,968,314	5,883,025
$ 7,380,109	$10,281,900	$10,654,807	$10,570,155	$14,363,699	$17,723,628	$18,146,404
20,000	20,000	65,499	55,499	55,499	60,499	222,444
.....	25,600	212,800	482,913	.....	.....	.....
100,318	116,499	136,948	132,769	251,681	871,057	528,687
.....	152,438	152,438	152,438	208,000	.....	.....
1,960 847	1,774,553	1,794,061	1,883,783	2,082,389	2,679,355	3,928,640
692,926	732,664	855,639	835,132	913,163	1,107,437	1,234,872
$ 1,267,921	$ 1,041,889	$ 938,422	$ 1,048,651	$ 1,169,226	$1,571,918	$2,693,768
1	1	1	1	1	1	1
$ 8,768,349	$11,638,327	$12,160,915	$12,442,426	$16,048,106	$20,227,103	$21,591,304
$ 880,885	$ 876,851	$ 973,238	$ 1,073,386	$ 1,485,880	$1,309,947	$2,143,718
.....	.....	.....	.....	.....	.....	.....
.....	2,500,000	2,350,000	2,200,000	5,000,000	.....	.....
193,522	206,816	218,819	229,718	179,250	224,389	221,932
496,300	496,300	496,300	496,300	496,300	5,496,300	5,396,300
626,671	627,173	627,391	627,391	627,391	704,321	704,918
3,640,846	3,644,447	3,646,388	3,646,388	3,646,388	6,318,327	6,337,529
2,930,125	3,286,740	3,848,779	4,169,243	4,612,897	6,173,819	6,786,907
$ 8,768,349	$11,638,327	$12,160,915	$12,442,426	$16,048,106	$20,227,103	$21,591,304
.....	2,000,420	3,095,056	3,088,000	3,206,412	2,397,190	1,730,000
6,499,224	9,405,049	9,681,569	9,496,769	12,877,819	16,413,681	16,002,686
8.38 to 1	11.73 to 1	10.95 to 1	9.85 to 1	9.67 to 1	13.53 to 1	8.46 to 1
626,671	627,173	627,391	627,391	627,391	704,321	704,918
28,703,862	39,949,226	48,990,794	53,474,786	61,122 583	75,367,861	97,248,511
23,729,199	33,738,750	40,886,382	44,716,808	51,177,678	61,133,798	78,142,458
1,064,151	1,023,373	1,229,136	1,007,411	1,110,749	2,755,372	2,566,500
1.63	1.57	1.90	1.54	1.71	3.76	3.34
.90	1.09	1.00	1.00	1 00	1.60	2.50
326.508	561.695	308 735	348,333	401,921	547.675	883,900
9,629,572	10,603,424	12,029,218	12,520,751	13,415,574	15,984,926	16,149,046

EARNINGS, DIVIDEND RECORD AND PRICE RANGE OF COMMON STOCK

	Earnings For Year	*Year's Dividend*	*Year's Price Range*
1939	$1.41	$1.05	*15 1/2 - 12 1/2
1940	1.14	1.00	15 3/8 - 10
1941	1.63	0.90	11 1/2 - 8 1/8
1942	1.57	1.00	10 - 8 1/4
1943	1.90	1.00	15 1/8 - 9 7/8
1944	1.54	1.00	19 3/4 - 14 5/8
1945	1.71	1.00	31 - 19
1946	3.76	1.60	47 - 29
1947	3.34	2.50	36 7/8 - 26 *To Nov. 15, 1947*

**Listed on New York Stock Exchange July, 1939.*



94 COMPANY OPERATED RETAIL STORES

Where They Are *What They Sell*

94 Stores Like These Located in Areas Shown on Map

Hohenwald, Tenn., plant where we make nationally advertised shoes for children.

GE

New annex at left gives this Tullahoma, Tenn., plant a total of 90,000 square feet for manufacturing men's shoes.

New sole cutting plant of 120,000 square feet, where we cut 80 per cent of all the soles used in our shoes. Located in Nashville, Tenn.

The
at

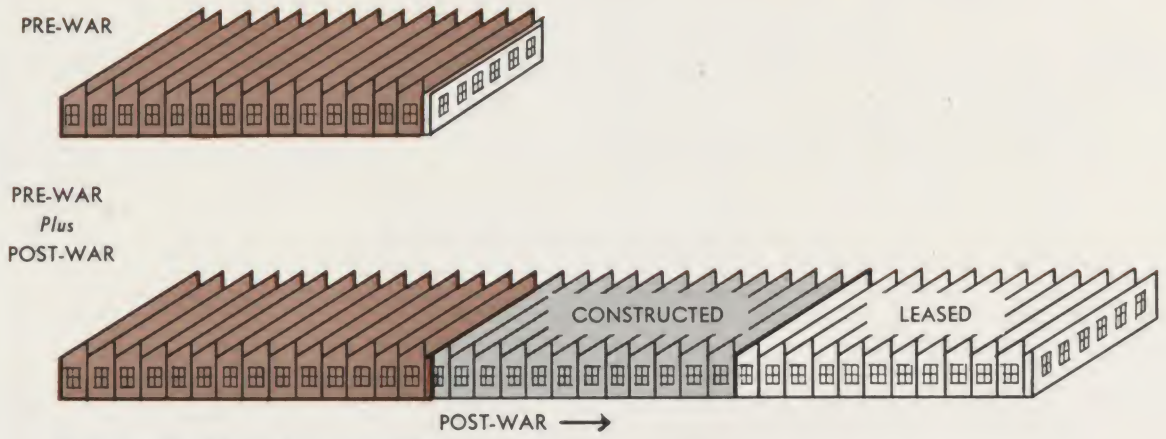
Atlanta, Ga., where shoes for women are made.

McMinnville, Tenn., plant for women's shoes.

Our temporary plant for women's shoes, Carrollton, Georgia.

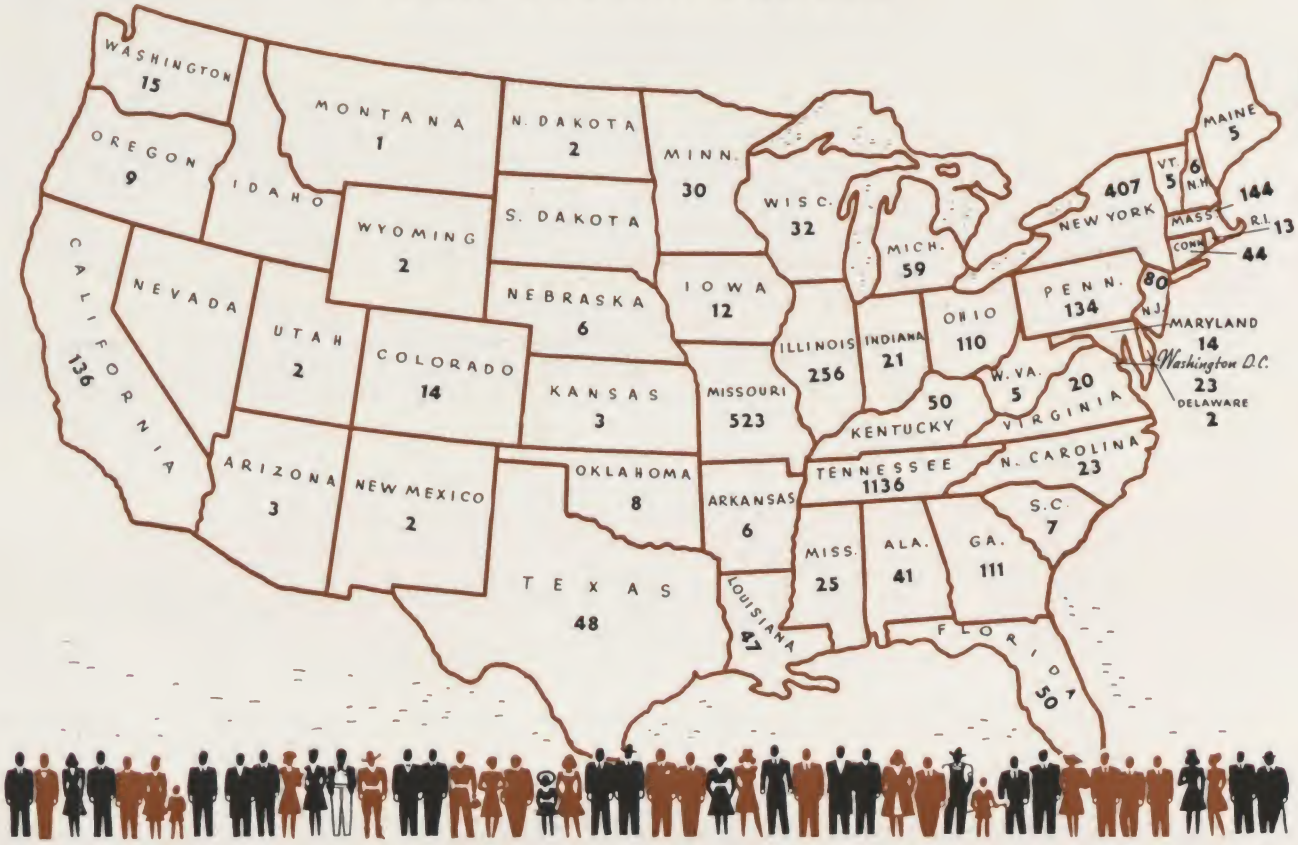
Dominion Leathercrafters, Nashville, Tenn.

GROWTH OF PLANT AREA



Each vertical building unit represents 50,000 square feet.

OUR STOCKHOLDERS



The 4,000 people who own General Shoe Corporation stock live in every state of the Union except two. Some foreign countries are represented. Map shows how these holdings are distributed over the country.

An interesting analysis of our stockholders is given in another section of this report.

Centerville, Tenn., Nationally-advertised shoes for children come from this plant.

750 hides per day are tanned in our Whitehall Leather Company tannery at Whitehall, Mich.

Shoes for women are produced here—Frankfort, Ky.

General Wax Industries at Nashville, manufacturers of finishes and chemicals for shoe manufacturers.

Huntsville, Ala., home of our large work-shoe plant.

Our Gallatin, Tenn., No. 2 plant for making men's shoes.

Pulaski, Tenn. plant for manufacturing men's shoes.

Men's shoe plant, Lewisburg, Tenn.

One of our three plants in Georgia. Women's shoes are made here—Lawrenceville.

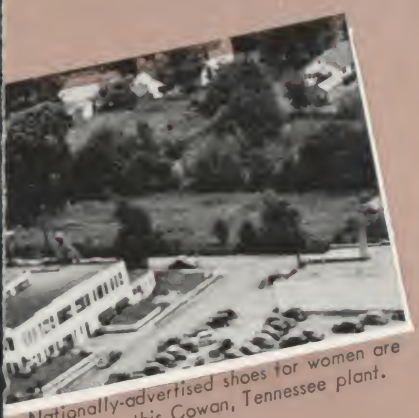
General Products Company, where displays are produced for the retail trade.

Gallatin, Tenn., No. 1 men's shoe plant.

Plants of the GENERAL SHOE CORPORATION

General Shoe Building, our headquarters 111 Seventh Avenue, North—Nashville.

Our leading brand of men's shoes, known around the world, are made in this plant at Nashville, Tenn. It was the first one of all the plants shown on these pages.



Nationally-advertised shoes for women are made in this Cowan, Tennessee plant.

Our newest plant for men's shoes, now being completed at Waynesboro, Tenn.

Men's, women's and children's shoes are manufactured in this Lima, Peru, plant.

Our Eclipse plant in Mexico City, Mexico.

Hispano, our second plant in Mexico City.

John Million
SHOES FOR MEN

Fortune
SHOES FOR MEN

Friendly
"Sports"

Davidson

Treasure Chest
SHOES FOR BOYS

Darman
SHOES FOR MEN

Storybook
SHOES

14,000 STORES provide a vast national network for the distribution of GENERAL SHOE products which, largely, are under these brands names. Map shows where these stores are.

Edgewood
Oxfords

Holiday
FINE SHOES

The CADILLAC Shoe

Twenty-ones
EXCITING FOOTWEAR

Skyriders
SHOES FOR BOYS

Cedar-Crest
SERVICE SHOES
EXTRA LONG WEAR
WITH COMFORT TO SPARE

VALENTINES
Footwear you love!

Dominion
LEATHERCRAFTERS

Acrobat

Fortunet

STATLER
SUPER Service Shoes

Upper left:
•One of Jarman's Fall, 1947, full-page, full-color ads that appeared in *Life* magazine.

Upper right:
•Acrobat ads like these appear in many of the nation's leading daily newspapers.

Lower right:
•One of Twenty-Ones' full-page color ads that appeared in *Vogue* and *Mademoiselle* last Fall.

Lower left:
•This Fortune ad, in full color, appeared last Fall in *Collier's*.

COLORFUL, DRAMATIC EFFECTIVE ADVERTISING SELLS OUR BRANDS TO THE NATION'S CONSUMERS

• • • Telling America's millions about our products, and persuading people to buy our brands, is a continuing function of General Shoe's nation-wide advertising program. Leading magazines like *Life*, *Look*, *The Saturday Evening Post*, *Collier's*, *Esquire*, *Pic* and *True* advertise our Jarman, Fortune and Cadillac shoes for men. Twenty-ones, Fortunet, Valentine and Friendly Sports for women are advertised in *Vogue*, *Mademoiselle*, *Harper's Bazaar*, *Calling All Girls* and *Seventeen*. Acrobat shoes for children are advertised in leading daily newspapers and national magazines, and Storybook shoes for children are featured in nation-wide radio programs.

ABOUT OUR COMPANY, OUR PRODUCTS, OUR PLANTS

HIGH among the reasons for General Shoe's growth from obscurity to a place among the first four of the world's shoe industry is the "corporate" personality which it has created during these brief 23 years.

Today our supervisory and executive force of over 600 picked men have made General Shoe a company of young ideas, of imagination, challenge, and a vigor to lead and to succeed. It is a personality that makes our shoes appeal to young people, of moving rapidly as new styles appear on the market; of trying out new things, keeping alive and alert—and keeping our viewpoint young at all times.

From the beginning we have believed in specialization, and have gained the advantages that come from having individuals excelling in very particular fields.

Another principle has been that of placing upon individuals as much responsibility as possible, and constantly training more and more of our men to shoulder new and broader responsibilities.

LINE AND STAFF PLAN

Patterned from the successful principle of good military organization, our company set-up follows the "Line and Staff" division of responsibilities.

Line operations include Supply, Manufacturing, Distribution, Retail and Foreign. Staff operations are Industrial Relations, Purchasing, Central Office, Design and Control.

The four staff departments coordinate the work of the line groups and provide a service for consultation and advice.

Seventeen members constitute our Board of Directors—most of whom have grown up with the Company and who give it much of its strength through their years of experience. The Chairman, the Executive Vice-President and the General Manager started with the Company when it was founded. The President began on the mail desk. Most of our other officers and directors had similar beginnings.

During the past year W. Maxey Jarman became the Chairman, continuing as chief executive of General Shoe, and was succeeded as President by Henry W. Boyd, Jr., formerly Vice-President and Treasurer.

16,149,046 PAIRS LAST YEAR

On the fifth day of August, 1924, when the Jarman Shoe Company was founded, we produced 240 pairs of men's shoes. In 1947, 23 years later, total production reached 16,149,046 pairs—as high as 70,000 per day—and for men, women and children.

Our production of men's shoes still leads very decidedly—with 62 per cent of the total. Our women's shoe production has now become 27 per cent of the total, and our two plants for juvenile shoes produce the remaining 11 per cent.

The retail price range of our men's shoes is largely confined to middle, volume price brackets. Composed of many different lines, they range from conservative to the most modern styles. Boys' and men's dress shoes, work shoes and work boots are made in a complete range of styles.

High style and medium style dress shoes are made for women, as well as casual shoes, sport type and walking oxfords. These are all in a medium price range.

Our children's and infants' shoes, made in a wide variety of types and styles, retail in a complete price range.

In addition to shoes, we make ladies' handbags, brief cases, wallets and other leather goods. Another division manufactures polishes and finishes for shoe manufacturers. Window display fixtures are made by another subsidiary.

TODAY, 14,000 DEALERS

Last Spring, during our Management Conference "Pre-Vue of Progress," Executive Vice-President W. H. Wemyss was featured in a dramatic skit in which he re-enacted the first sale of Jarman "Friendly Five" shoes ever made to a dealer. The growth of the Company since that time is strikingly told by the map on Page 14, which shows that over 14,000 independent retail and other types of stores distribute the numerous lines that go out from General Shoe manufacturing plants.

Some of America's best-known chain shores and mail order houses are large purchasers of our shoes. Most of these shoes are made up to the customer's

own specifications and are retailed under the customer's own brand name.

Selling these shoes are the various General Shoe sales divisions seen listed on the first page of this report. Again following our plan of specialization, each sales division handles one or more distinct brands of shoes, and each has its separate sales force and sales manager. The entire country constitutes the territory of each sales division.

94 COMPANY OPERATED STORES

In 1930 we opened our first company operated retail shoe store, in Louisville, Ky. With that beginning, this phase of our business has grown until today there are 94 such stores situated in all major geographical sections of the country, and known by the familiar names of Jarman, Flagg Brothers, Hardy and Holiday stores. The first three are men's shoe stores. Our 15 Jarman stores carry nationally-advertised Jarman shoes. Forty-six Flagg Brothers stores feature smartly styled, rugged men's shoes in the medium price field. Our 23 Hardy stores sell money-saving shoes for men in the inexpensive field, and our ten Holiday stores for women feature high-fashioned, medium-price footwear.

The growth and development of these company-operated retail stores is strikingly shown by a map on Page 9.

26 MANUFACTURING PLANTS

Starting operations in one very small plant in 1924, our growing business necessitated, by 1928, the erection of a 220,000 square-foot plant in Nashville. Since then 25 other manufacturing plants followed the upward curve-line of our development, until today our "plant map" is dotted with growth in Tennessee, Kentucky, Alabama, Georgia, and a tannery in Michigan. The pre-war and post-war expansion of these facilities is illustrated by a chart found elsewhere in this Report. It reveals nearly two million square feet of plant capacity.

Most recent of our plants is a new 120,000-square-foot sole cutting plant in Nashville, where 80 per cent of all our shoe sole requirements are produced. It is one of the most modern and efficient of such plants in America.

FOREIGN PLANTS

In 1942 General Shoe operations crossed international boundaries and we acquired controlling interest in two manufacturing companies in Mexico City. They make men's and women's shoes. Both of these enterprises having proved successful, we expanded our inter-continental operations by acquiring a plant in Lima, Peru, for making men's, women's and children's shoes, and by operating four of Peru's most modern retail shoe stores. Plants in our foreign division are under the direction of well-trained and experienced General Shoe executives who live in Mexico City and in Lima.

PROGRESS THROUGH ADVERTISING

High among the reasons for General Shoe's progress has been the policy of making a good product, well worth the price, and then telling the consumer about it. In 1929 we were ready for national magazine advertising, and appropriated $25,000. Today the familiar brand names of General Shoe products are sold through many of the nation's leading magazines, with tens of millions of circulation. Many are full-page, full-color.

Our brand-name products are also advertised widely by our dealers, whom we support with year-round promotional helps. Colorful, dramatic window displays are features of stores throughout America, carrying our lines.

OUR STOCKHOLDERS

Many interesting facts develop out of a look at our approximately 4,000 stockholders. Fifty per cent of them own 100 shares or less, and of this number half of these own 25 shares or less. Another 23 per cent own 100 shares each. About four per cent own 100 to 200 shares; 12 per cent own 200 to 499 shares. One per cent of stockholders have 500 shares each; two per cent own from 500 to 999 shares, and two and one-half per cent own 1000 or more shares each.

This spread among our holdings is highly pleasing to General Shoe Corporation. Actually no individual owns as much as 5 per cent of our common stock. As is shown by the stockholders' map elsewhere in this report, the 4,000 who have invested in our Company live in all of the United States except two. Some foreign countries are also represented.

All General Shoe directors have substantial holdings, as do many others in our Company. Our stock is listed on the New York Stock Exchange and the St. Louis Stock Exchange.

Directors OF GENERAL SHOE

Around the table, clockwise:

VICE-PRESIDENT AND SECRETARY J. P. SAUNDERS is in charge of our supply group and foreign division. Sixteen years' service.

VICE-PRESIDENT MATT S. WIGGINTON as Director of Distribution is in general charge of all sales. Five years' service.

VICE-PRESIDENT GEORGE W. NOLAND, with the company 15 years, heads the Industrial Relations Division embracing public relations, employee relations, supervisory training and safety.

BRANCH MANAGER CLAUDE M. SWINNEY is in charge of production in our Women's Divisions, and has been here nine years.

DIRECTOR CENTRAL DESIGN DEPARTMENT J. R. BRADEN. Fourteen years of General Shoe experience in manufacturing, design and other fields.

VICE-PRESIDENT AND TREASURER NOBLE S. CAUDILL heads up our division which purchases all raw materials and supplies. Fifteen years' service.

EXECUTIVE VICE-PRESIDENT WILLIAM H. WEMYSS was a co-founder and a partner in the establishment of our company in 1924. Dominion Shoe Company and Dominion Leathercrafters are his specific charges.

GENERAL MANAGER J. H. LAWSON was one of the three original "founding fathers" of General Shoe. He specializes in men's shoe manufacturing.

CHAIRMAN OF THE CORPORATION W. MAXEY JARMAN (in center at end of directors' table) had been president of General Shoe since 1932, when in 1947 he became Chairman and chief executive. He has worked for General Shoe since his father founded the company in 1924.

VICE-PRESIDENT EARLE T. BUMPOUS is in charge of our men's shoe sales divisions and their advertising. A General Shoe man since 1929.

CONTROLLER OTIS C. WILLIAMS was our auditor from 1934 until 1946, when he was promoted to his present position.

VICE-PRESIDENT WILLIAM M. BLACKIE heads up our Retail Division, made up of nearly 100 company-operated retail shoe stores from coast to coast. His General Shoe experience began in 1928.

PRESIDENT HENRY W. BOYD, JR., assumed that title during 1947, after having been vice-president and treasurer and in charge of our manufacturing division. He finished college in 1931 and has been with General Shoe ever since.

ASSISTANT VICE-PRESIDENT CHARLES W. COOK, with 17 years' experience, heads up customer service, credits and collection, shipping, bookkeeping and production planning.

ASSISTANT VICE-PRESIDENT H. NELSON CARMICHAEL, in charge of the administrative end of our manufacturing division, was elected to this board during 1947. Eleven years' experience.

CANDLER W. BUTLER is director of distribution for our Women's and Juvenile divisions. Has been in the shoe business since boyhood, and with General Shoe since 1936.

ASSISTANT VICE-PRESIDENT HOUGHTON D. VAUGHN is branch manager of our Dominion Distribution Group and has been a General Shoe man since 1930.

General Shoe Stages Style Show to Parade Footwear for Ladies

General Shoe executives seldom have the opportunity to see all the ladies' footwear manufactured in our plants, so a "Fashions in General" style show was staged for this purpose. On this page are a few of the many styles paraded by Nashville models. Smart shops throughout the country carry many of these shoes of ours.

RELATIONS WITH OUR OWN PEOPLE

GENERAL SHOE'S 120 pioneer employees of 1924 (Jarman Shoe Company) have grown to 11,397 in these 23 ensuing years. The late Mr. J. F. Jarman resigned a high executive position with another shoe manufacturer to found our company, because he had certain definite ideas of how shoes should be made; how employees and customers should be treated.

These ideas have been expanded and molded into the written, guaranteed policies and practices of our Company. Over these 23 years we have successfully continued the personalized man-to-man type of relationship, realizing fully that we as a company are obligated to only the most progressive and enlightened policies in Management-Employee Relations if we are to maintain such a standard of associations with our employees.

Into the foundation supporting such employee relations we have built the following policies, for example:

EMPLOYEE ADVISORY COMMITTEES

Here the employees of each of our plants have representation with management in formulating policies, a medium for expressing the employees' views to management, and the opportunity for management to ask the employees directly for suggestions and advice on problems, particularly relating to matters which concern the employee's work and his interest.

EMPLOYEE GRIEVANCE COMMITTEES

Expanding this representation on beyond the Employee Advisory Committee, Employee Grievance Committees were set up in a few plants in 1946. Finding that the Grievance Committee gave fair, square opinions on complaints brought by other employees, we expanded these committees last year to include a much larger number of our plants. In the early future, it is expected that all General Shoe plants will have them.

Employees at General Shoe are urged to appear before their own Grievance Committee whenever they are not satisfied with a decision by management. Management's side is also presented. After hearing the evidence, the Grievance Committee makes a recommendation.

Of additional value to management is the action of the Grievance Committee in considering final discharges for cause. Long our policy to make final separation of an individual subject to final action by the Board of Directors, we have now taken the further step of protecting the employees' interest by first presenting recommendations for final separation before the Employee Grievance Committee. The latter probes into every fact in the case and makes its recommendations to the plant superintendent prior to presentation of the case to the Board of Directors.

JOB POSTING

Recognizing that "opportunity for promotion" constitutes one of the most important factors in an employee's work life, we have inaugurated in several plants an arrangement to post jobs as they become open. Workers thus have the privilege of claiming the jobs they want—a plan that is proving highly popular. We believe this to be an equitable, fair method of handling promotions. Seniority (length of service) continues to be our basic policy in promotions, providing that ability and dependability are equal.

WORKMEN'S COMPENSATION

In all states where we operate, there are Workmen's Compensation Laws insuring employee on a basis of approximately 50 per cent of his weekly wage for sickness or accidents suffered on the job. Feeling that 50 per cent does not sufficiently provide for the employee's needs in such difficult times, we therefore have the unique policy of supplementing the State's Workmen's Compensation rate by making up the employee equal to 90 per cent of his pay during the insured period in which he is away from his job because of such injury.

SAFETY

The company is justly proud of its remarkable progress during the past year in making its plants continuingly safer places to work. The number of accident days lost was reduced sharply during the year. The average lost-time accidents per million man-hours worked was reduced from 9.7 to 6.7, or nearly 33 1-3 per cent fewer lost-time accidents.

While the safety of our employees is our first interest, it is significant to report that a saving of more than $50,000 was made for the year, as a result of having a definite safety program administered by an aggressive safety director working in close harmony with plant safety committees and company officials.

SUPERVISORY TRAINING

So often the personal touch is lost when corporations grow big. We have followed a policy of bringing all supervisors to central headquarters at least semi-annually to attend a one-day training conference. This enables the young supervisors to meet and know, personally, the top officers of the company who lead the discussion groups. Topics discussed in basic and advanced courses include the history of the company, its organization, its philosophies, its policies, with considerable stress laid on human relations and the administration of our published personnel policies. During the past year 500 such courses have been held, with the number in attendance exceeding 2,500 and the number of conference hours totalling 10,000.

We feel that our supervisory force must continue a program of self-development, with constant improvement in the techniques of better management.

IMPROVED SELECTION AND TRAINING FOR NEW DEPARTMENT MANAGERS

General Shoe is now making long term plans for making available for department managers' jobs men who are well qualified and with a background of experience.

To do this, men are selected from among machine operators who have proven that they are dependable, good workers, with good personalities. Another source is from recommended high school graduates who after a year or more of proven performance as plant apprentices are placed in a regular training program.

Qualifying for a department manager's job now requires experience in most of the operations in the department to which worker is assigned, and specialized training in personnel, industrial engineering and as an assistant department manager.

Thus, in raising our requirements we also raise the standard of the new department managers we will need for our Company's future development plans.

VACATIONS WITH PAY

After five years' service, employees get two weeks' vacation with pay; one week at the end of their first year.

PAID HOLIDAYS

General Shoe is one of the few shoe manufacturers in the country to give its workers six holidays a year with full pay. This policy is now two years old.

RETIREMENT PLAN

Our Company finances entirely its plan whereby employees are retired at 65, with 10 years or more of service; after 60 with 30 years' service; or after 55 with 15 years' service, at the Company's request when the employee is unable to continue work.

CREDIT UNIONS

Credit unions lend employees reasonable amounts without collateral, or larger amounts with endorsements, when there are personal emergencies

OUR SUGGESTION SYSTEM

Our suggestion system, paying the employee up to $500, has resulted in a flow of workable ideas leading to time and labor saving in operations, and improvement in quality of products.

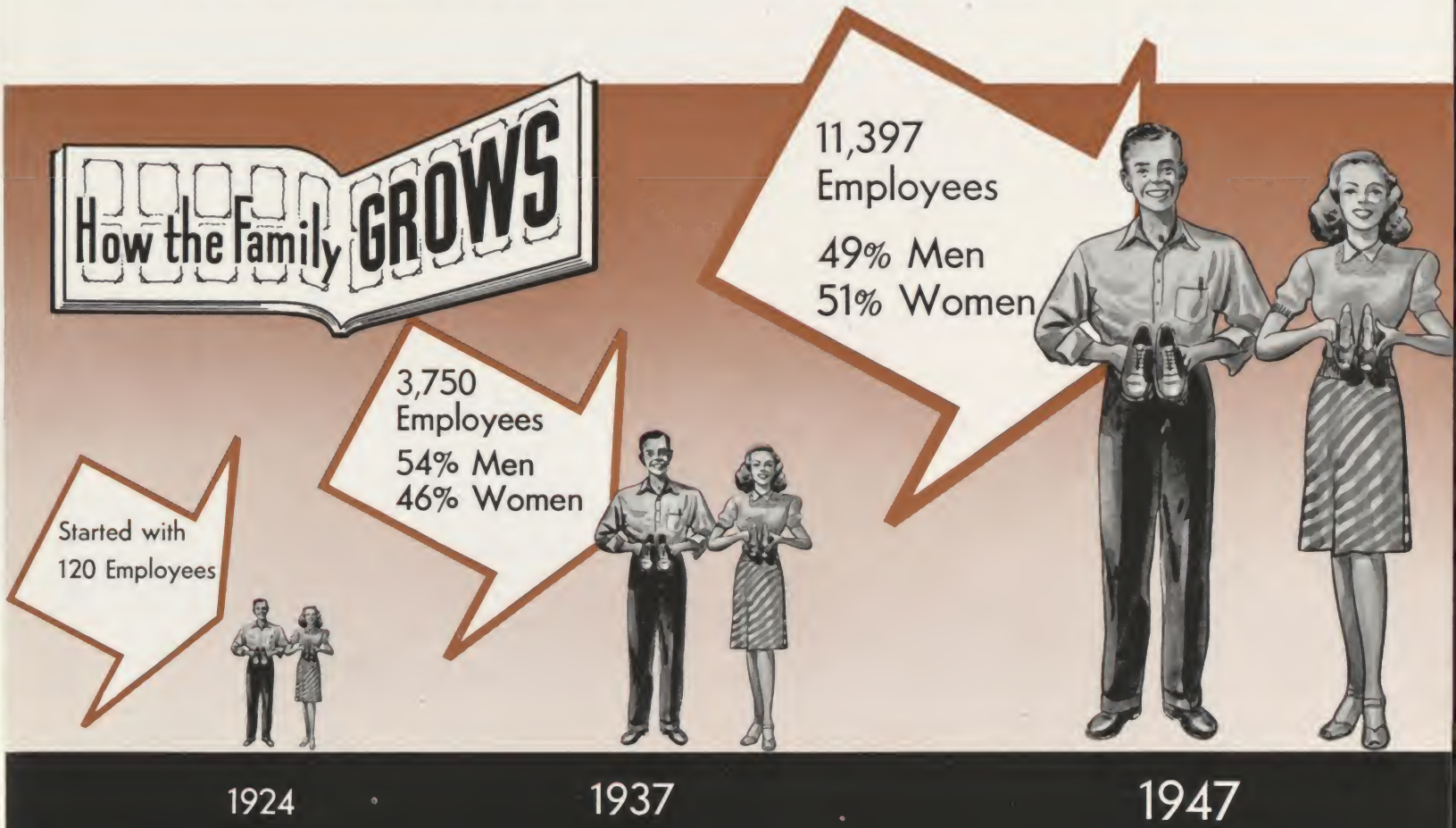
HOSPITALIZATION AND SICK BENEFIT

Hospitalization and sick benefits plans are in nearly all General Shoe plants. Many also have their own Employee Benefit Associations to help the worker when he is out sick or faced with other emergencies.

PAY

Pay wage increases during the year have placed the weekly earnings of our employees ahead of most of those in the shoe manufacturing business. General Shoe wages have increased 38.8 per cent since V-J Day, or approximately one and one-half times the Government-reported increase in the cost of living.

The average hourly rate for all our employees has increased by 98.3 per cent since January 1, 1941, and the average weekly earnings by 101.1 per cent.



PICTORIAL REVIEW

OF General Shoe Some Things Not Shown by the Balance Sheet

SALES TRAINING PROGRAM. To better enable General Shoe to maintain its progressive program of sales leadership, a course of intensive training for young men was started this year. Carefully selected, they get six months of the most complete class-room and field experience before taking sales positions.

THEIR OWN GRIEVANCE COMMITTEE. An Employee Relations development of the year was the establishment of Grievance Committees in General Shoe plants. Here employees iron out most of their problems in their own democratic way. (Before an employee is discharged the Board of Directors must give its approval.)

A BANK ACCOUNT FOR TWINS. Each child born to a General Shoe parent receives from the Chairman of our corporation a $5 savings bank account. For twins the account jumps to $25 for each child, and here we paid double—and gladly. Recently the stork tripled on a visit—a $300 savings bank account.

20-YEAR PINS BRING THREE BROAD GRINS. General Shoe itself is only 23 years old; nevertheless a large group of our men and women are proud wearers of 20-year (and better) pins. Here genial Supt. J. Palmer, (at left) presents pins that recognize two decades of service to each man.

AN AWARD FOR PUBLIC SPEAKING. General Shoe executives should be trained for necessary speaking in public and in Company meetings. Realizing the advantages, large numbers of our men took a complete course during the year, and concluded with graduation exercises and awards by Chairman Maxey Jarman.

SUPERVISORY TRAINING constitutes a full, year-round program in General Shoe, for existing and prospective department managers, assistant department managers and others of supervisory rank. Included also are conferences for all levels of management. Photo shows typical training session.

PICNICS are great institutions in every General Shoe plant and reveal the family spirit that prevails. Music-making is a big feature. Young Johnny (photo at right) demonstrates that the talent develops mighty early.

TENNESSEE WELCOMES MICHIGAN. Tennessee's Governor Jim McCord welcomes the high school senior class from Whitehall, Michigan, where we have a tannery. The Michigan seniors were invited to Tennessee-Kentucky by General Shoe as a part of its Community Relations program. We arranged their tour, showed them our plants, had them meet their "Southern kinfolks" in General Shoe.

A REPORT ON WORLD AFFAIRS. Here, General Shoe executives invite as their guest Publisher James G. Stahlman of The Nashville Banner, who had just returned from an historic round-the-world flight and who gave a colorful report of international affairs.

MOTHER AND SON WORKING TOGETHER. One of the unique relationships among General Shoe people is the large number of families who have more than one member working in the same plant. The maintenance man in the picture is repairing his mother's stitching machine in one of our plants.

MANY DISTINGUISHED VISITORS. Throughout the year General Shoe is honored by having visitors from other shoe centers of the country and from foreign nations. Above, two English visitors whose company operates 900 retail stores and several plants in the British Isles. (Our Chairman, W. M. Jarman, center.)

GOOD MONEY FOR GOOD SUGGESTIONS. General Shoe employees are paid up to $500 for each suggestion resulting in labor or material saving, or in quality improvement. Good-sized checks here brought good-sized grins as the plant superintendent does the awarding.

OUR ADVISORY BOARD OF DIRECTORS is composed of young executives who are elected by the Senior Board. They study a wide range of Company problems and prove a valuable adjunct to the Senior Board through their recommendations.